

**BUSINESS PROPERTY BULLETIN
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This report is prepared by SPN on behalf of Scottish Enterprise Dunbartonshire. It reviews industrial and office market activity in the year to June 2002. The report begins with an overview of general economic conditions and of activity in Scottish industrial and office markets, before focussing on supply, take-up and market performance in the Dunbartonshire area.

Scottish Economic Summary

Seasonally adjusted Gross Domestic Product (GDP) in Scotland rose by 0.7% in the year to Q2 of 2002 compared to the 0.9% recorded for the whole of the UK as shown by Table 1. Scottish GDP in the first quarter of 2002 increased by 0.3% compared to an increase of 0.6% for the UK,

The Scottish service sector grew by 6.3% over the year to Q2, however, the construction and production sectors contracted by 6.2% and 10.7% respectively.

Independent forecasts of UK GDP growth for 2002, as published by the Treasury in November, have been revised downward to 1.6% (average of forecasts). This projection lies significantly below the growth forecast of 2%-2.5% issued by the Treasury upon publication of the budget.

The Bank of England has maintained interest rates at 4% since November 2001, reflecting conflicting signals regarding the condition of the UK and world economies. The November minutes of the Monetary Policy Committee (MPC) indicate that there was some concern within the committee regarding world demand being lower than anticipated in the Committee's Inflation Report projections. However, the committee concluded that the strength of the UK housing market posed a risk to the inflation forecast in the near term, which, when combined with expected buoyancy in consumption growth, indicated that a reduction in interest rates could not be justified. The decision to maintain interest rates at 4% was split 7-2.

The Scottish Executive report that the Claimant Count in October 2002 stood at 4.0% compared to 2.4% in East Dunbartonshire and 6.0% in West Dunbartonshire. The average employment between Autumn 2001 - Summer 2002 in East Dunbartonshire was 80% compared to the equivalent figure of 71% in west Dunbartonshire and 73% for Scotland as a whole.

Business Property Market – Central and Northeast Scotland¹.

Industrial

In the year to June, SPN recorded an overall increase of 13% in the volume of available floorspace. (Figure 1) The supply of available floorspace increased in every age band with Post 1990 accommodation recording the largest increase at 40%. Most of this growth was in accommodation over 999 sq m. Take-up of floorspace increased by 2% in the same period, but the number of units taken up fell by 6% (Figure 1).

Table 1

GDP Figures Seasonally Adjusted	% Change Q2 (2002) on Q1 (2002)	% Change Year to Q2 2002
Scotland	0.3% (0.6%)	0.7% (0.9%)
Production	0.4% (0.3%)	-10.7% (-4.4%)
Construction	0.3% (1.2%)	-6.2% (6.6%)
Services	0.3% (0.6%)	6.3% (2.5%)

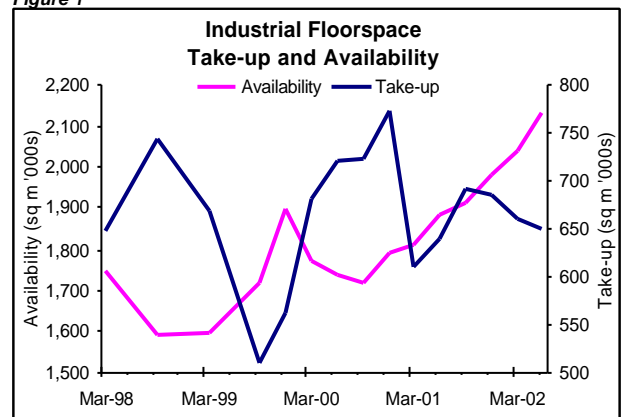
**Note: UK figures in brackets.
Source: Scottish Executive - November 2002**

Table 2

	Claimant Count Unemployment October 2002	Average Total Employment Autumn 2001 - Summer 2002
Scotland	4.0%	73%
East Dunbartonshire	2.4%	80%
West Dunbartonshire	6.0%	71%

Source: Scottish Executive and LFS

Figure 1



¹ Total figures are derived from the 10 LECs covered by SPN (Scottish Enterprise – Ayrshire, Dunbartonshire, Edinburgh & Lothian, Fife, Forth Valley, Glasgow, Grampian, Lanarkshire, Renfrewshire and Tayside).

In their April review², Ryden report a return of 9.1% on Scottish industrials in the 12 months to end of March 2002 compared to a UK average return of 8.1%. Ryden also report that institutional investment activity is limited but continues to be focused upon multi-let product in general and well-let distribution units in particular.

The RICS in Scotland report a marginal decline in average yields in the year to March 2002, as shown in Table 3. Average rental levels, as reported by the RICS, also increased in the main markets over the same period. The highest average rental growth over the three years to March 2002 was reported in Livingston at 3.8% while Edinburgh achieved 3.7% (Table 3).

Offices

The volume of available office floorspace recorded by SPN increased by 25% in the year to June 2002, the highest level recorded since March 1998. Available floorspace in Central Scotland increased by 32%, with larger increases of 39% and 38% in Glasgow and Edinburgh respectively.

Over the year to June 2002, take-up of office floorspace fell by 14% while the fall in unit transactions was greater at 20%.

The RICS in Scotland March 2002 survey reports a marginal decline in rental levels for city centre open plan space in Edinburgh over the year to March 2002, with Aberdeen broadly stable and Glasgow showing growth of almost 6%. The RICS survey also reports that average income yields in Edinburgh increased marginally, with Glasgow and Aberdeen showing no change (Table 4).

Table 3

Industrial – Average Rent and Yield					
New Unit 5-15,000 sq ft	Rent £/psm (£/psf)		Average Growth (p.a.) Mar 99 – Mar 02	Yield	
	Mar 2001	Mar 2002		Mar 2001	Mar 2002
East Kilbride	£47.68 (£4.43)	£48.43 (£4.50)	1.4%	8.7%	8.6%
Glasgow	£54.04 (£5.02)	£54.68 (£5.08)	2.5%	7.8%	7.7%
Edinburgh	£62.86 (£5.84)	£65.22 (£6.06)	3.7%	7.1%	7.1%
Livingston	£50.81 (£4.72)	£51.88 (£4.82)	3.8%	7.9%	7.9%

Source: Royal Institution of Chartered Surveyors in Scotland

Figure 2

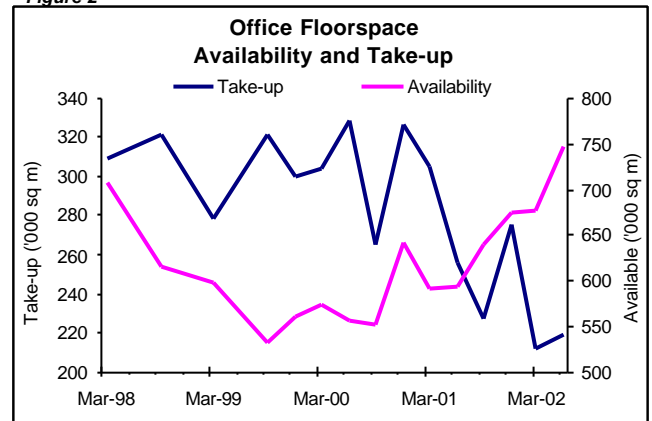


Table 4

Offices - Average Rent and Yield					
City Centre Open Plan	Rent £/psm (£/psf)		Average Growth (p.a.) Mar-99-Mar-02	Yield	
	Mar-01	Mar-02		Mar-01	Mar-02
Aberdeen	£179.00 (£16.63)	£179.54 (£16.68)	2%	8%	8%
Edinburgh	£300.96 (£27.96)	£300.10 (£27.88)	6.9%	6.2%	6.4%
Glasgow	£225.83 (£20.98)	£238.31 (£22.14)	8.2%	6.7%	6.7%

Source: Royal Institution of Chartered Surveyors in Scotland

² The Scottish Property Review, April 2002 - Ryden

Business Property Market – Dunbartonshire

Industrial Availability

At 30th June 2002, SPN recorded 66 available industrial units in the Dunbartonshire area providing a total floorspace of 48,830 sq m. The proportion of stock currently available in Dunbartonshire is estimated to be marginally below the Central Scotland average (Table 5).

Three quarters of the available floorspace and 86% of the available units in Dunbartonshire are located in the West Dunbartonshire Council area.

Table 5

Industrial Availability– Dunbartonshire		
	Rate of Availability	
	Units	Floorspace
Dunbartonshire	10%	13%
Central Scotland	11%	14%
Glasgow	13%	16%
East Dunbartonshire	5%	11%
West Dunbartonshire	12%	14%

As illustrated by Figure 3, Dunbartonshire recorded a decrease of 29% in available floorspace in the year to June 2002, while the number of available units fell by 15%. Availability decreased in all size and age bands, with the biggest percentage falls in floorspace recorded in sizes above 999 sq m (-37%) and in Pre-1980 accommodation (-39%) (Figure 4). It should be noted, however, that the numbers of units in individual size and age bands are relatively small in Dunbartonshire.

In West Dunbartonshire, available floorspace fell by around 34%, while the number of available units fell by 10%. The relatively small East Dunbartonshire market recorded a fall of 7% in available floorspace, but the number of units fell by 40% to only nine.

Across Central Scotland as a whole there was an increase of 18% in the volume of available floorspace in the year to June 2002, although there was a marginal decline in the supply of units.

The age profile of available units in Dunbartonshire, with 29% built Post-1990, is more modern than the average for Central Scotland at only 19%, as shown in Figure 5. It should be noted, however, that available Post-1990 units in Dunbartonshire total only nineteen.

SE Dunbartonshire has a relatively low proportion of available units in the smallest size band (<200 sq m) at 30%, compared to the Central Scotland average of 40%, and a correspondingly higher proportion of units in the 200-499 sq m band (Figure 6). East Dunbartonshire has a higher proportion of units under 200 sq m at 44%, but in a very small market this represents only 4 units out of a total of 9 available.

Figure 3

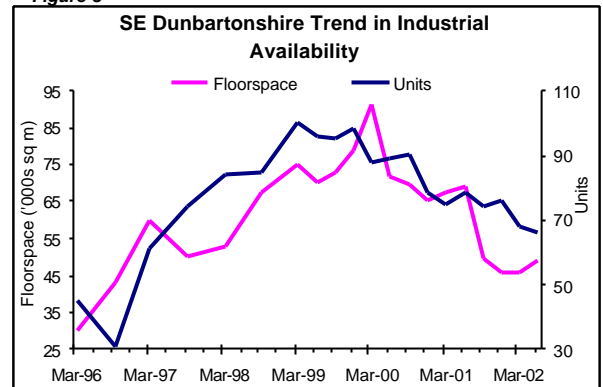


Figure 4

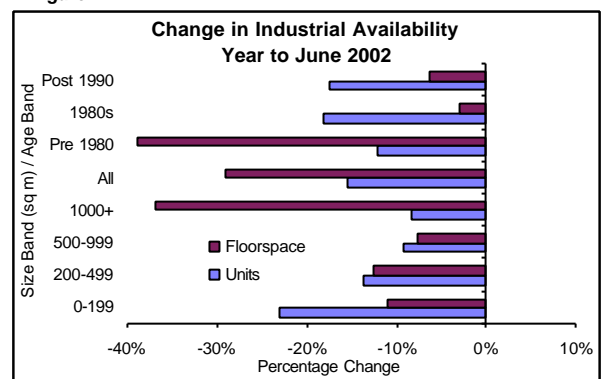


Figure 5

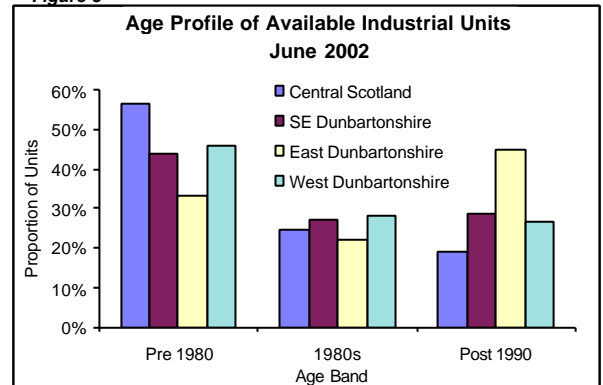
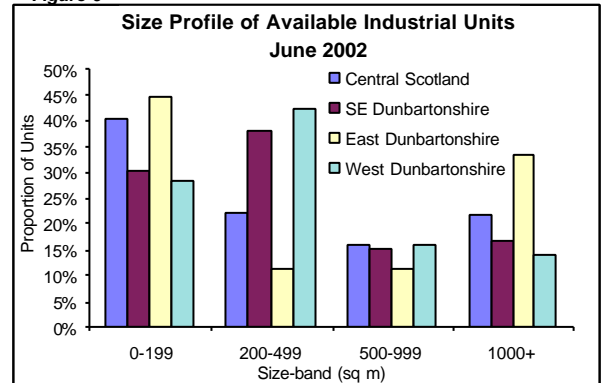


Figure 6



Industrial Take-up

In the year to June 2002, SPN recorded take up of 13,000 sq m of industrial floorspace in 30 units in Dunbartonshire. This represents a small increase of 6% in take-up of floorspace compared to the previous year, but a reduction of 27% in take-up of units. West Dunbartonshire recorded an increase of 54% in floorspace taken up, but a fall of 9% in number of units.

Given the small size of the market in Dunbartonshire large fluctuations can result from a relatively small number of transactions. Indeed in the year to June, just under 65% of total take-up resulted from four transactions involving Pre-1990 units over 999 sq m. There were no recorded lettings of Post-1990 units in excess of 499 sq m during the year.

Across Central Scotland as a whole, the volume of floorspace taken up declined by 3% over the year to June, while take-up of units declined by around 6%.

Average annual take-up for Dunbartonshire has been estimated from total recorded take-up over the 3 years to March 2002 as shown in Table 6. It should, however, be noted that take-up in the year 2000 was unusually high.

Table 6

Average Annual Take-up	Units	Floorspace (sq m)
Dunbartonshire	48	23,997
East Dunbartonshire	20	71
West Dunbartonshire	28	

Availability at June 2002 is expressed in year's potential take-up, based on this estimated supply at June 2002 in Dunbartonshire as under 1.4 year's take-up of units and just over 1 year's supply of floorspace. By comparison, Central Scotland has a year's supply of units and 3 year's supply of floorspace.

Within the LEC area, supply of both units and floorspace appears more limited in this reflects a very high level of take-up. Dunbartonshire records 2.1 year's supply of units and 3 year's supply of floorspace.

Figure 7

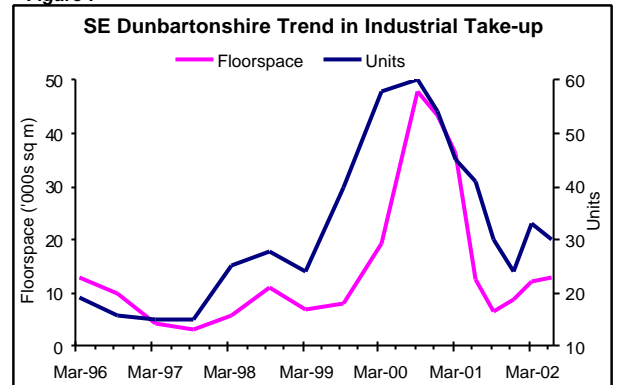


Figure 8

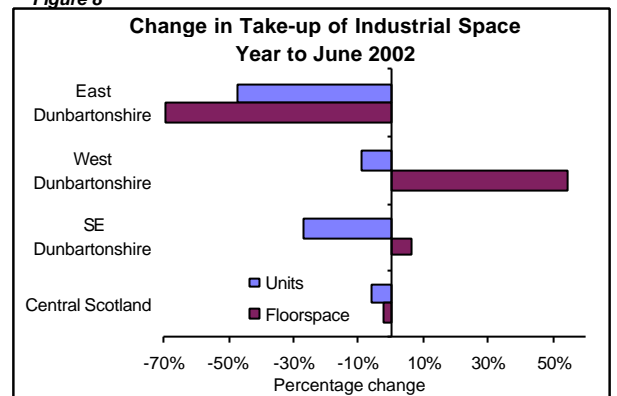
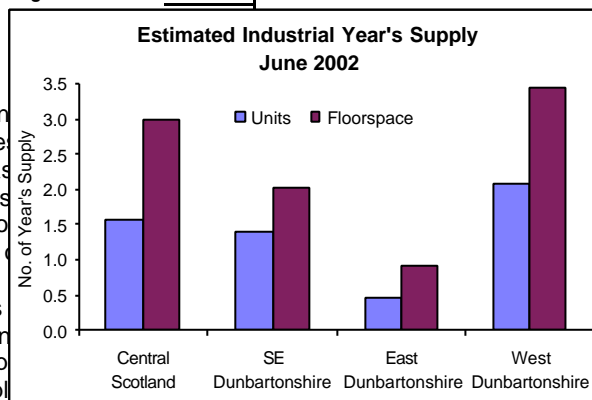


Figure 9



Office Availability

It should be noted that the office market in Dunbartonshire is very small. At June 2002, SPN recorded a total of just over 14,100 sq m of available office and business floorspace in 40 units.

The total available floorspace logged by SPN includes premises that are 'under offer'. At the end of June 2002 these totalled 3,664 sq m or just under 26% of the total availability. The equivalent figure for June 2001 was 3,829 sq m, representing 40% of total available floorspace.

As shown by Figure 10, available office floorspace in Dunbartonshire increased by 46% over the year to June, while the number of available units rose by 11%, or four units. In East Dunbartonshire an increase of three units represented a rise of 135% in available floorspace. West Dunbartonshire recorded an increase of one unit to 30 units in total, increasing available floorspace by 36%.

On average, Central Scotland recorded an increase of 32% in available office floorspace over the same period.

As might be expected given the predominance of business park space, a relatively high proportion of available office units in Dunbartonshire are modern (Post-1990), at 45% compared to 28% on average across Central Scotland (Figure 11).

Office Take-up

Take-up of office floorspace in Dunbartonshire during the year to June totalled 5,045 sq m in 35 units. This represents an increase of 9% in floorspace, compared to the previous year, but a fall of 24% in number of transactions. By comparison, take-up of office floorspace in Central Scotland fell by 17% and unit transactions declined by 21% in the same period.

Based on average annual take-up over three years, the supply of office space in Dunbartonshire at June 2002 represents 0.9 year's take-up of units and 2.7 year's take-up of floorspace. This compares to a Central Scotland average of 1.5 year's supply of units and 2.6 year's supply of floorspace.

Figure 10

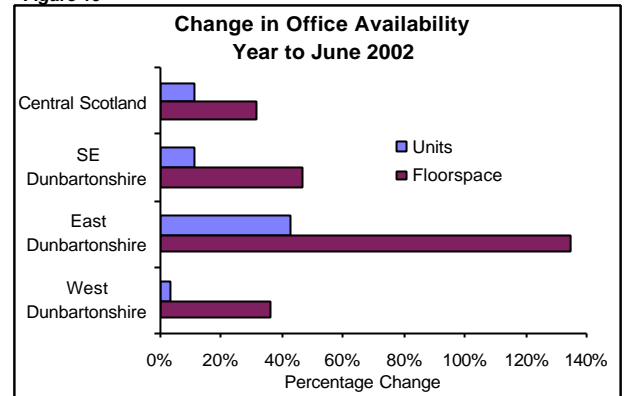


Figure 11

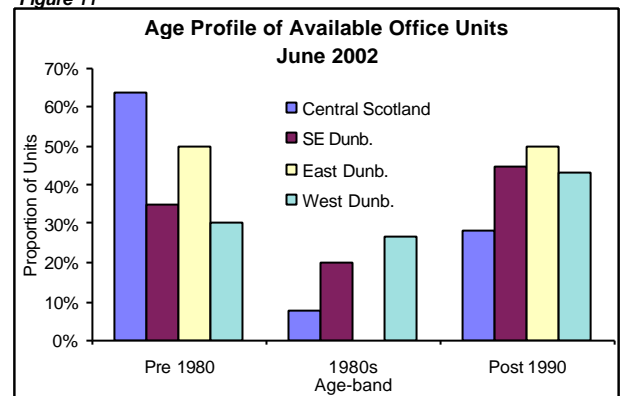


Figure 12

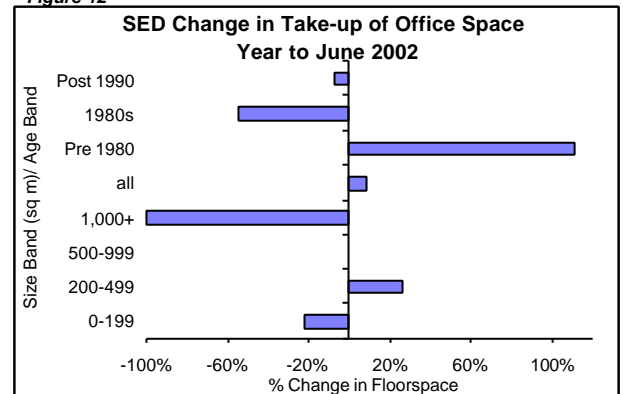
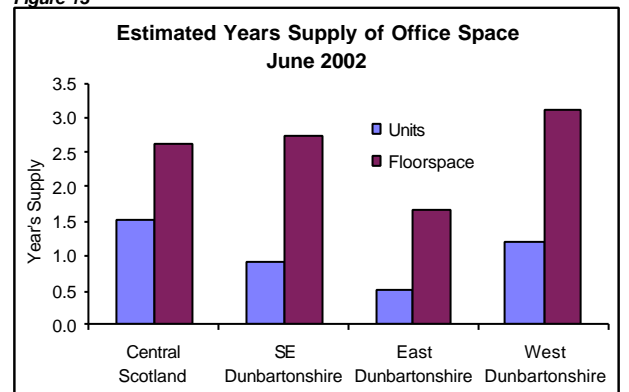


Figure 13



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